

**District of Columbia  
DC USA  
Overview of Section 108 Loan Guarantee Application**



Figure 1. Rendering of the DC USA project

### **Snapshot**

**The Project** DC USA will be a 540,000 square foot family-oriented retail and entertainment center in Columbia Heights, with a multi-level parking garage. DC USA will be anchored by the first Target Store in the District. Project also includes public space improvements and business assistance.

**The Financing** The District of Columbia proposes to borrow \$56 million to invest in Columbia Heights. The District will grant the developer \$43.5 million to construct an underground parking facility, available to retailers and the community, and for related costs at DC USA. The District will maintain a controlling interest in the parking facility. The District will invest \$6 million in a fund to establish an inspiring public realm, minimize displacement and support local small businesses in Columbia Heights. The District will repay the loan from the new tax revenues that DC USA will generate under the proposed Tax Increment Financing (TIF) District.

**The Risks** Available DC USA tax revenue is projected to be \$6.6 million each year. The debt service on the borrowing will be about \$5.3 million each year. The District is required to pledge future federal Community Development Block Grant (CDBG) funds as security for repayment of the Section 108 Loan Guarantee borrowing, with a 20-year term. Hence if new tax revenues do not suffice in a given year to pay the debt service on the Section 108 Loan Guarantee, the District may use up to \$5.3 million in CDBG funds in that year to fund the shortfall. The District proposes to repay any CDBG dollars used for this debt service by depositing excess TIF revenues in the Housing Production Trust Fund for future affordable housing opportunities.

**The Benefits** The DC USA project is projected to create over 2000 jobs. These jobs are forecasted to pay employees over \$100 million in wages by the end of the first two operating years. 91% of these wages go to non-management workers, like retail service clerks. DC USA will offer goods and services that have been denied to Columbia Heights residents since the riots in 1968. DC USA will increase the District's tax base of now underutilized land. DC USA will increase visibility, pedestrian foot traffic and safety for Columbia Heights residents.

## **DC USA will bring retail and jobs to Columbia Heights.**

DC USA, will be a 540,000 square foot retail and entertainment complex located in the heart of Columbia Heights. The development will be anchored by a Target Store, several other big box retailers, restaurants and other smaller retail spaces. In addition the Project will have a 520,000 square foot parking facility with approximately 1,350 spaces on three below-grade levels. During construction, roughly 700 jobs will be created, and once operational, the Project will support 1650 permanent jobs. In addition, the Project will be built in a Priority Development Area, bringing economic stability and increasing job opportunities in a predominantly low- and moderate-income neighborhood.

## **The District will use DC USA to finance neighborhood improvements.**

Part of the proposed Section 108 borrowing is slated to create a neighborhood fund to further neighborhood economic development by financing related infrastructure improvements, streetscaping, small retail façade improvements, and other costs related to creating a multi-block retail environment. This coordinated effort will mitigate displacement of local businesses. The Office of Planning has worked intensively with community stakeholders to craft an inspiring public space design.

## **District government and independent analysis reveals that DC USA will not happen without public support.**

The total project costs are estimated to be \$158 million. A Section 108 loan guarantee application in the amount of \$56 million will be submitted by the District to HUD. The District will then grant \$43.5 million in loan proceeds to the developer to construct a parking facility and for other costs. The developer is DC USA Operating Co. LLC, a New York limited liability company. The District will maintain a controlling interest in the garage. The District plans to use \$6 million for neighborhood investment. The remaining proceeds will be used to capitalize interest and create a debt service reserve fund. A proposed Tax Increment Finance (TIF) district will be used to repay the debt obligations under the Section 108 financing.

## **DC USA is an eligible activity according the HUD regulations.**

The Project is an Eligible Activity under 24 CFR 507.203(b) which includes the “provision of assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project, excluding those described as ineligible in §570.207(a). In selecting business to assist under this authority, the recipient shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods.” The infrastructure improvements would also be an Eligible Activity under 24 CFR 507.201(c)—“Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements...” DC USA meets the CDBG National Objectives under 24 CFR 570.20(a)(4)(v) where the assisted business is located within a District of Columbia Enterprise Zone.

## **Modification of the Consolidated Plan to Include New Financing Pledge**

The District of Columbia will propose to modify its Consolidated Plan, Fiscal Year 2004 Action Plan to HUD to indicate its plans to request a Section 108 Loan Guarantee for the DC USA project and to pledge its future CDBG federal entitlement funds as a secondary repayment source for the loan.

**The HUD Section 108 Loan Guarantee Program offers the most favorable cost structure for the District's investment in DC USA.**

After examining various financing and development scenarios, the Office of the Deputy Mayor for Planning and Economic Development (ODMPED) has determined that the Project is not feasible without public sector assistance. The ODMPED has investigated several options for financing, including the possibility of using tax-exempt bonds, and has concluded that the Section 108 Loan Guarantee Program offers the most favorable cost structure to the District.

***Use of Proceeds.*** The Section 108 Loan Proceeds will be used in the following manner:

<b>Three uses of the Section 108 loan proceeds</b>		
1. Project Fund	Project Fund: Garage Construction	\$ 42,235,129
	Project Fund: Other Retail Construction	\$ 1,256,850
2. Neighborhood Economic Development Fund	Infrastructure Improvements	\$ 4,800,000
	Façade and Retail Upgrade Fund	\$ 1,200,000
3. Financing Costs	Capitalized Interest	\$ 1,410,033
	Debt Service Reserve Fund	\$ 4,320,319
	Costs of Origination	\$ 565,500
	Contingencies	\$ 212,169
<b>Total Loan Proceeds</b>		<b>\$ 56,000,000</b>

**Where you can find a full copy of the District's proposed Section 108 application.**

A copy of the full Section 108 loan guarantee application is available at your local ANC, local libraries, at DHCD ([dhcd.dc.gov](http://dhcd.dc.gov)) and at the Office of the Deputy Mayor for Planning & Economic Development ([dcbiz.dc.gov](http://dcbiz.dc.gov)). If you desire specific information or you have questions, we look forward to speaking with you:

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Figure 2. An architect's rendering of part of the proposed public realm in Columbia Heights at the DC USA Project.

